

# **MINUTES OF ROANOKE CITY AUDIT COMMITTEE**

**September 2, 2003**

## **1. CALL TO ORDER:**

The meeting of the Roanoke City Audit Committee was called to order at 11:05 a.m. on Tuesday, September 2, 2003, with Chair, Linda F. Wyatt, presiding.

- **The roll was called by Mrs. Powers**

### **Audit Committee**

#### **Members Present:**

Linda F. Wyatt, Chair  
Mayor Ralph K. Smith  
William D. Bestpitch  
Dr. M. Rubert Cutler  
Alfred T. Dowe, Jr.  
C. Nelson Harris (arrived late)  
Beverly T. Fitzpatrick, Jr,

#### **Others Present:**

Drew Harmon, Municipal Auditor  
Darlene L. Burcham, City Manager  
David C. Anderson, City Treasurer  
William M. Hackworth, City Attorney  
Jesse A. Hall, Director of Finance  
Chris Slone, Public Information Officer  
Rolanda B. Russell, Asst. City Manager Community Development  
George C. Snead, Jr., Asst. City Manager for Operations  
Ruth C. Willson, School Board Member  
Susan S. Lower, Deputy Director of Real Estate Valuation  
Mike Tuck, Assistant Municipal Auditor  
Pamela Mosdell, Information Systems Auditor  
Brian Garber, Senior Auditor  
Evelyn Powers, Administrative Assistant  
Joe Dashiell, News Channel 7 Senior Reporter  
Todd Jackson, Roanoke Times Reporter  
Evelyn Bethel, Citizen  
Helen Davis, Citizen

## **2. INTERNAL AUDIT REPORT:**

- A. Real Estate Valuation
- B. Sheriff's Canteen Fund and Jail Inmate Fund
- C. Purchasing Cards
- D. Facilities Management

Mrs. Wyatt ordered that the internal audit reports be received and filed. There were no objections from the Committee. Mrs. Wyatt recognized Mr. Harmon for comments. Mr. Harmon briefed the Committee on the Real Estate Valuation audit and informed the Committee that this was a turnover audit as requested by Council prior to Mr. Claytor retiring. Mr. Harmon stated that things were found in excellent order. Mr. Harmon stated he would like to perform a post implementation audit in about a year to look at the system. Mr. Bestpitch asked for clarification that the most recent data available from the Virginia Department of Taxation was the 2000 data. Mr. Harmon verified that 2000 was the most current data available. Mr. Bestpitch questioned if the reason goal number 3 regarding the reduction of supervisory positions in Real Estate had not yet occurred was because they were trying to achieve this through attrition in relation to reducing the number of supervisors in the office. Mr. Harmon stated it is somewhat due to the status of people currently in those positions as well as the need for staff to implement Proval. Mr. Bestpitch asked if the Proval implementation would be finished in about 1 year. Mr. Harmon stated yes from the standpoint of program implementation. Mr. Hall, Director of Finance, stated that the organization structure of Real Estate Valuation will be evaluated once a new Director is in place. Mr. Hall stated that the major functions of Proval are in place and that it might take 2 years or more to refine the valuation models in the system for approximately 150 distinct neighborhoods. Mr. Bestpitch said that he understands that Proval is a dynamic process and in some sense it will never be completed. Mr. Bestpitch asked Mr. Hall if he had any concerns now that Real Estate Valuation has been transferred to his area. Mr. Hall stated no; other than getting a Director named. Dr. Cutler asked if revising the current business plan would be at the top of the list for the new Director of Real Estate Valuation. Mr. Hall stated yes. Mr. Dowe asked if there's a need for more payment drop boxes given the recent closing of the Treasurer's satellite office at DMV. Mr. Anderson, City Treasurer, stated that the current drop box at the DMV will stay and there is one at Reserve Avenue at Parks & Recreation, one in front of the Municipal Building, and one downstairs in the lobby. We have not looked at anymore areas to put drop boxes currently. Mr. Anderson stated that the manager at DMV was very positive about having the drop box there permanently and it will be picked up everyday by the City. Mrs. Wyatt stated that if there was no objection, the Chair would like to send a letter of commendation to Mr. Claytor on the results of the audit. There was no objection to the order.

Mr. Harmon briefed the Committee on the Sheriff's Canteen and Jail Inmate Fund audit. There were no comments or questions from the Committee.

Mr. Harmon briefed the Committee on the Purchasing Cards audit. Dr. Cutler asked what an "attractive asset" was as described in the report. Mr. Harmon stated that an attractive asset was anything that could be for personal use, such as a lawn mower.

Mr. Harmon briefed the Committee on the Facilities Management audit. Mr. Harmon stated that the audit was the first one in the Building Maintenance area and that the scope was limited to evaluating work order processing and the preventive maintenance process. Mr. Harmon stated that management and staff were very cooperative during the audit and were doing a very good job given the limitations they have. Mr. Harmon

stated that Building Maintenance needs to have better documented procedures. Mr. Harmon stated that the use of blanket work orders needs to be better regulated. Mr. Bestpitch stated that he noticed that the department has been without a manager for over 13 months and that the findings identified were management related. Ms. Burcham stated that a Facilities Manager has been hired and will start on September 29. Ms. Burcham stated that she has been concerned that no departments in the City have an automated work order system. Ms. Burcham stated that this has been made a priority over the next 9 months to put such a system in place. This will give managers in all City areas better insight into the deployment of his or her resources. Ms. Burcham noted that Wanda Reed served as Acting Manager of Facilities Management for a number of months and that they have also reinstated a Superintendent position in Facilities Management that was an internal promotion. Ms. Burcham stated that the City is trying to get trades workers to acquire the necessary certifications so that they can move up in the organization. Mr. Bestpitch stated that while he agrees with the ideas stated regarding internal promotions, he is concerned about positions taking 14 months to fill. Mr. Bestpitch stated that this issue should be part of the budget study discussions this year. Mrs. Wyatt stated that this concern will be passed along to Mr. Harris who chairs the Budget Committee.

There were no further questions or comments from the Audit Committee regarding the internal audit reports. All reports were received and filed.

### **3. UNFINISHED BUSINESS:**

#### **A. School Safety – Update**

Mrs. Wyatt recognized Mr. Harmon for comments. Mr. Harmon stated that he had met with Dr. Harris and Mrs. Willson, who is the School Board Audit Committee chair, and discussed the issue and that the full Board would discuss the appropriate timing for a safety audit at the September 9<sup>th</sup> School Board meeting. Dr. Cutler stated that his perception from the morning meeting was that the auditing department would not be involved for maybe a year or more. Mr. Harmon stated that was his perception as well. Mr. Harmon stated that the three year audit plan for the School Board included a safety audit in fiscal year 2005. Mr. Harmon stated he understood the position that schools are making changes to the process and that auditing the process would be like trying to hit a moving target. Mr. Harmon stated that questions about the data inconsistencies and about the intent to under report was not addressed by the Department of Education's review. Dr. Cutler stated that his response to the members of the public who have contacted him about school safety is that he has a great deal of confidence in the Municipal Auditor and the audit staff and the sooner audit is involved the better. Mr. Bestpitch stated that based on his understanding of the audit function, it is best to involve auditors at the beginning of the development and implementation of a new process. Mr. Bestpitch stated that he felt it would be valuable relatively soon to not have necessarily an evaluation, but to have some involvement from the auditing department to advise how best to setup the process. Mr. Bestpitch asked if there are

other questions that truly need to be answered that could provide useful information to the task force process and the development of a better system. Mr. Bestpitch asked if we really need to get more answers to those questions or do we have enough information to say that the best use of our time and resources would be towards development of better processes for the future as opposed to answer every question about the past. Mr. Harmon stated that in his opinion, the public has been concerned with two questions: 1) was there intentional under reporting, and 2) what exactly were the data inconsistencies. Mr. Harmon stated that he believes it would be better to answer those questions sooner rather than later. Mr. Harmon stated that the Administration could probably do that just as well as an auditor could in most cases. The school's safety person, Annie Harmon, could have her staff look at the process and the data to determine exactly what went wrong. Mr. Harmon stated that he has discussed with Dr. Harris and Mrs. Willson the need for the School Board to discuss their concerns on Tuesday the 9<sup>th</sup>, whether or not it is important to look back and review the data. Mr. Bestpitch asked if the Auditing department could audit the school safety data within the department's annual plan due to being approved at today's meeting. Mr. Harmon stated that the School Board had agreed in June to revisit the annual plan in September after the Department of Education report was completed and decide if the plan should be revised to include audit work in school safety. Mr. Bestpitch stated that if the Municipal Auditor feels there are some specific questions that need to be evaluated, then the City Audit Committee may want to think about listening to that and supporting his recommendations. Mrs. Wyatt stated that the chair would entertain a motion to that effect. Mr. Harmon stated the decision to audit school safety resides solely with the School Board. Mr. Bestpitch stated that he was not trying to make a motion to direct, but only to endorse the auditor's recommendation to the School Board on how to proceed. Mr. Fitzpatrick seconded the motion. Mrs. Wyatt stated that the motion had been moved and seconded that the Audit Committee endorse Mr. Harmon's recommendation. Mrs. Wyatt asked for any discussion. Mr. Fitzpatrick stated that Mrs. Willson was present and that she may want to address the issue. Mr. Fitzpatrick stated that he thought it was important to get the kind of information being discussed. He also wanted to be sure that the School Board understood the City Audit Committee's intentions and that the decision was the School Board's own to make. Mr. Bestpitch stated that he agreed, and he wanted to be sure the School Board understood that the City Audit Committee would not hesitate to offer any assistance that would be helpful. Mr. Harris apologized for being late and asked Mr. Harmon to encapsulate his recommendations. Mr. Harmon stated that the questions regarding intentional under reporting, and data discrepancies continue to be outstanding concerns to the public and that it would be best to address those questions now through an audit. Mrs. Willson stated that she was happy to be at the meeting to hear the discussion and that she would bring forth Council's concerns to the School Board. She stated that the School Board does have an engagement with the Municipal Auditor and an audit plan has been voted on and agreed to this year. She stated that the School Board would discuss the plan at their meeting Tuesday night. There being no further discussions on the matter, the motion passed unanimously.

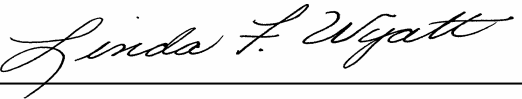
**4. NEW BUSINESS:**

- A. Municipal Auditing Annual Plan – June 30, 2004
- B. Audit Committee Annual Report – June 30, 2003
- C. Municipal Auditing Annual Report – June 30, 2003

Mr. Harmon briefed the Committee on the Municipal Auditing Annual Plan for fiscal year 2004, and the Municipal Audit Annual Report for fiscal year 2003. Mr. Harmon stated that due to a number of unscheduled audits, the department was unable to complete last year's audit plan and that unscheduled audits were to be expected. Dr. Cutler asked if there was any audit issues that should be considered that relate to the creation of the Regional Water Authority and is the Municipal Auditing department involved in Authority related work at this time. Mr. Harmon stated that he has not been involved at all and that is was mentioned in our April work session with Council. Mr. Harmon stated that he has had discussion with Ms. Burcham and Mike McEvoy about the possibility of providing internal audit service for the Water Authority in some way. Dr. Cutler stated that in a way it was similar to the situation regarding the Assessor's office in transferring responsibility to the Director of Finance because the City is sort of completing its responsibilities before shifting them to the Authority. Dr. Cutler asked if now the time to look at something is. Mr. Harmon stated there are a lot of components involving water billing, operations, and accounting. He felt it would be difficult to do anything that would be beneficial. Dr. Cutler asked if internal audit was an internal support function that the City would contract with the Authority to provide. Ms. Burcham stated that it is one that we have not discussed at this point as we have tried to look at the bigger issues, but it is on the list of things that will be identified. Ms. Burcham stated that there a number of options, it could be contracted and it could be something that we chose to privately contract. Ms. Burcham stated that we have been going through a series of steps trying to analyze the big pieces particularly those that will have an immediate financial impact. Mrs. Wyatt asked Mr. Harmon about not finishing audits on last year's plan and noted her concern that part of being pro-active is having staff time available to do training and the equivalent of preventative maintenance. Mrs. Wyatt asked for Mr. Harmon's input on that for pre-budget study. Mr. Harmon stated that we would like to do more training and that the City Manager has discussed with him the possible need to provide some in-service about internal controls to the management team. Mr. Harmon stated that time to develop presentations was included in this year's audit plan. The question is how much audit coverage do we want to provide the City. Our goal has been to perform some audit service in every department every year. Right now I think we can get to about  $\frac{3}{4}$  of the departments. With additional staff, we may be able to get that up to 100%. There were no further comments or questions from the Committee.

**6. ADJOURNMENT:**

There being no further business, the meeting was adjourned at 11:55 a.m.

A handwritten signature in cursive script, reading "Linda F. Wyatt", is positioned above a horizontal line.

Linda F. Wyatt, Chair